

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 20017 01 OF 03 091203Z

ACTION EB-07

INFO OCT-01 IO-13 ISO-00 OIC-02 AF-10 ARA-10 EA-07
EUR-12 NEA-10 FEA-01 USIE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01
SSO-00 NSCE-00 INRE-00 XMB-02 /136 W
-----124336 091314Z /40

O R 091143Z JUL 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 5465

INFO ALL OECD CAPITALS

USMISSION GENEVA

AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 20017

USOECD

USMTN ALSO FOR USMISSION

USEEC

PASS EB/ICD

E.O. 11652: N/A

TAGS: ETRD, OECD, EFIN

SUBJECT: AD HOC GROUP ON COMMON FUND: MEETING JULY

7-8

1. SUMMARY: FIRST MEETING OF AD HOC GROUP ON COMMON
FUND MADE SIGNIFICANT PROGRESS FOCUSSED ON POTENTIAL
ISSUES INVOLVED IN DESIGNING POOLING TYPE FUND. KEY
QUESTIONS IDENTIFIED BY DISCUSSION INCLUDE NATURE AND
OPERATION OF BACKUP FACILITY NEEDED TO INSURE VIABILITY,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 20017 01 OF 03 091203Z

RELATIONSHIP BETWEEN DEPOSITS AND CREDITS FROM
STANDPOINT OF VIABILITY AND INCENTIVES TO JOIN FUND,
RELATIONSHIP BETWEEN FUND AND COMMODITY AGREEMENTS,
PROBLEMS OF ACCESSION TO FUND OF NEWLY CREATED,
ESPECIALLY LEVY-BASED ARRANGEMENTS, AND MEANS OF
ASSESSING ECONOMIES WHICH WOULD RESULT FROM POOLING.
ONLY STICKING POINT DURING THE DISCUSSIONS WAS DESIRE

BY NUMBER OF DELS, ESPECIALLY CANADA, TO INSURE THAT QUESTIONS OF SOURCE TYPE FUND, OTHER MEASURES, AND TACTICS FOR NOVEMBER NEGOTIATING CONFERENCE WOULD ALSO BE THOROUGHLY EXPLORED BY THE GROUP. MAJORITY HOWEVER FAVORED CONCENTRATING ON ELABORATION OF POOLING CONCEPT FOR NEAR TERM AND CHAIRMAN OBTAINED AGREEMENT TO PUT OFF CONSIDERATION OF THESE OTHER QUESTIONS BY THE GROUP UNTIL AN APPROPRIATE TIME IN THE FALL. GIVEN THE SHORT TIME AVAILABLE TO DEVELOP A COMMON PROPOSAL BEFORE GENEVA NEGOTIATIONS BEGIN, GROUP AGREED TO MEET AGAIN JULY 28 AND FOCUS MAINLY ON QUESTION OF BACKUP FACILITY AND RELATIONSHIP BETWEEN DEPOSITS AND CREDITS. UK VOLUNTEERED TO PROVIDE INFORMAL WRITTEN SUBMISSION ON FIRST OF THESE, WHILE GERMANS WILL DO THE SAME FOR THE SECOND. U.S. UNDERTOOK TO SHARE INFORMALLY ITS LATEST THINKING ON THESE ISSUES JULY 28 AND TO SUBMIT PAPER ON ALL ESSENTIAL ELEMENTS OF FUND BY AUGUST 10. GROUP ALSO AGREED TO MEET TWICE IN SEPTEMBER. HIGHLIGHTS OF DISCUSSION ON MAIN ISSUES REPORTED BELOW. END SUMMARY.

2. GENERAL ORIENTATION OF GROUP'S WORK: INITIAL TOUR DE TABLE AND PERIODIC INTERVENTIONS DURING SUBSEQUENT DISCUSSIONS REVEALED STRONG DESIRE BY CERTAIN DELEGATIONS--ESPECIALLY CANADA (REPRESENTED BY MONTGOMERY FROM GENEVA), FINLAND, SWEDEN, SWITZERLAND, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 20017 01 OF 03 091203Z

AND AUSTRALIA--TO HAVE GROUP PURSUE VIRTUALLY ALL QUESTIONS OF RELEVANCE TO NOVEMBER NEGOTIATIONS IN ROUGHLY PARALLEL FASHION. WITH PERHAPS VARYING MOTIVES THESE DELS EXPRESSED FEAR THAT ISSUES SUCH AS A SOURCE-TYPE FUND, "OTHER MEASURES," AND TACTICS FOR NOVEMBER WOULD BE NEGLECTED IN CONCENTRATION ON ELABORATION OF POOLING CONCEPT. CANADIANS, WHO WERE NOT PREPARED TO COMMENT ON TECHNICAL ISSUES, TOOK LEAD IN THIS DEBATE, AT ONE POINT ASKING THAT COMPREHENSIVE WORK SCHEDULE ON ALL MATTERS BE AGREED BEFORE END OF SESSION. CANADA, FRANCE AND SOME OTHERS ALSO IMPLIED CIEC RESULTS COMMITTED GROUP B TO MUCH MORE THAN POOLING, BUT CHAIRMAN EMPHASIZED THAT IT HAD BEEN AGREED AT CIEC THAT COMMON FUND LANGUAGE DID NOT PREJUDICE ANYONE'S POSITION FOR NEGOTIATIONS. (FRENCH AGREED IN PASSING THAT "OTHER MEASURES" SHOULD BE LEFT TO LATER.) MOST DELS FAVORED MAXIMUM TECHNICAL EFFORT IN NEAR TERM TO DEVELOP SOMETHING THAT COULD FORM BASIS FOR GROUP B PROPOSAL. END RESULT OF DEBATE ON THESE QUESTIONS WAS THAT ISSUES OTHER THAN ELABORATION OF POOLING WILL BE PUT OFF UNTIL APPROPRIATE TIME IN SEPTEMBER, BUT CHAIRMAN HAD TO

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 20017 02 OF 03 091207Z
ACTION EB-07

INFO OCT-01 IO-13 ISO-00 OIC-02 AF-10 ARA-10 EA-07
EUR-12 NEA-10 FEA-01 USIE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01
SSO-00 NSCE-00 INRE-00 XMB-02 /136 W
-----124392 091316Z /40

O R 091143Z JUL 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 5466
INFO ALL OECD CAPITALS
USMISSION GENEVA
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 03 PARIS 20017

USOECD/MTN ALSO

PROMISE TO PREPARE CALENDAR OF GROUP'S WORK FOR
DISCUSSION AT NEXT MEETING.

3. BACKUP FACILITIES: AMID GENERAL CONSENSUS THAT
ANY VALID POOLING CONCEPT WOULD HAVE TO BE BOTH
VIABLE AND ATTRACTIVE TO INTERNATIONAL COMMODITY
ARRANGEMENTS (ICA'S), MANY DELS COMMENTED ON THE
NECESSITY FOR FACILITIES TO BACK UP THE POOL OF FUNDS
FROM ICA'S. U.S. POINTED OUT POSSIBILITY OF RELATING
USE OF BACKUP FACILITY TO ECONOMIES TO BE OBTAINED
FROM POOLING AND URGED MORE RESEARCH ON LATTER
QUESTION. U.S. ALSO INDICATED THAT NO GOVERNMENT
POSITION HAD BEEN AGREED YET AND THAT IT WAS STUDYING
FULL RANGE OF INSTITUTIONAL OPTIONS INVOLVING IFI'S
AND PRIVATE MARKETS. UK EXPRESSED SPECIAL INTEREST
IN LATTER AREA, AND MANY DELS INDICATED INTEREST IN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 20017 02 OF 03 091207Z

CONSIDERING GOVERNMENT GUARANTEES, CALLABLE CAPITAL,
OR DIRECT CONTRIBUTIONS AS POSSIBLE OPTIONS.

4. NEW AGREEMENTS, LEVY SYSTEMS, AND CONTRIBUTIONS
IN KIND: GROUP HAD AN EXTENSIVE DISCUSSION OF THE
PROBLEMS OF MAKING SURE ALL KINDS OF ICA'S WOULD
HAVE INCENTIVE TO JOIN FUND. FRENCH INTERVENTIONS
INDICATED PARTICULAR CONCERN FOR GIVING "SPECIAL HELP"
TO NEW ICA'S. SOME DELS THOUGHT LEVY SYSTEMS POSED A
SPECIAL PROBLEM, BUT U.S., UK, AND OTHERS CONSIDERED
THESE COULD PARTICIPATE WHILE GRADUALLY BUILDING UP
THEIR DEPOSITS IN THE FUND. JAPAN WAS PARTICULARLY
CONCERNED ABOUT HOW AN ICA WITH ALL ITS RESOURCES IN
STOCKS COULD JOIN FUND. ONE ANSWER SUGGESTED WAS THAT
FUND WOULD ACCEPT WARRANTS ON STOCKS AS GUARANTEE THAT
AN ICA WOULD DEPOSIT MONEY WITH FUND WHEN STOCKS
WERE EVENTUALLY SOLD. MORE GENERALLY IT WAS POINTED
OUT THAT IF FUND WERE STARTED IN AN ECONOMIC DOWNTURN,
A BACK-UP FACILITY WOULD HAVE TO COME INTO OPERATION
EARLY IN THE LIFE OF THE FUND, BUT THAT THIS DID NOT
ALTER THE VIABILITY OR PUTTING INTO OPERATION OF A
WELL-CONSTRUCTED FUNDING MECHANISM.

5. RELATIONSHIP OF FUND TO ICA'S: DISCUSSION OF THIS
TOPIC FOCUSSED ON PROBLEMS CAUSED BY TEMPORARY NATURE
OF ICA'S, NORMALLY VALID FOR A PERIOD OF YEARS, AND
NEED FOR PERMANENCE OF THEIR PARTICIPATION IN FUND IF
POOLING SCHEME WERE TO BE VIABLE. THERE WAS GENERAL
AGREEMENT THAT ICA'S WOULD HAVE TO SIGN ONTO FUND FOR
DEFINITE AND REASONABLY LONG PERIODS OF TIME AND THUS
COULD NOT HAVE UNCONDITIONAL FREEDOM TO WITHDRAW AT
ANY TIME. BELGIANS EXPRESSED SEVERE DOUBTS
THAT STABILITY OF ICA DEPOSITS WOULD BE SUFFICIENT TO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 20017 02 OF 03 091207Z

PERMIT EFFECTIVE OPERATION OF A POOL.

6. DEPOSIT/CREDIT RELATIONSHIPS: ALL DELS AGREED THAT
PRO'S AND CON'S OF VARIOUS REQUIREMENTS FOR MINIMUM
DEPOSITS AND THE RELATIONSHIP BETWEEN DEPOSITS AND
CREDITS NEEDED IN-DEPTH EXPLORATION. U.S.
BELGIUM, AND SWEDEN FAVORED RELATIVELY HIGH
RATIO OF REQUIRED DEPOSITS TO FINANCIAL RESOURCES OF
ICA'S IN ORDER TO MAXIMIZE SIZE AND ATTRACTIVENESS

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 20017 03 OF 03 091211Z

ACTION EB-07

INFO OCT-01 IO-13 ISO-00 OIC-02 AF-10 ARA-10 EA-07
EUR-12 NEA-10 FEA-01 USIE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01
SSO-00 NSCE-00 INRE-00 XMB-02 /136 W
-----124440 091319Z /40

O R 091143Z JUL 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 5467

INFO ALL OECD CAPITALS

USMISSION GENEVA

AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 03 OF 03 PARIS 20017

USOECD/MTN ALSO

OF CREDIT TRANCHES AVAILABLE FROM POOL. FRANCE
GERMANY, AND UK EXPRESSED PREFERENCE FOR RATHER
LOWER RATIOS TO PROVIDE LESS IMMEDIATE BURDEN ON ICA'S
JOINING FUND, GERMANY SUGGESTED MINIMUM LEVEL BE
DECIDED BY ICA ITSELF RATHER THAN FUND. SEVERAL DELS
POINTED OUT RELEVANCE OF INTEREST RATES ON DEPOSITS
AND CREDITS TO INCENTIVE ISSUE. AUSTRALIA, U.S., AND
BELGIUM SUGGESTED THAT QUESTION OF ICA WILLINGNESS TO
JOIN FUND WOULD IN END BE CONDITIONED BY POLITICAL
DECISIONS OF MEMBER GOVERNMENTS OF ICA'S

7. ECONOMIES FROM POOLING: THERE WAS GENERAL AGREE-
MENT THAT QUESTION OF EXTENT OF ECONOMIES FROM POOLING
WAS IMPORTANT FOR DETERMINING FINANCIAL PARAMETERS FOR
FUND, THAT THESE ECONOMIES WERE ONE
INCENTIVE FOR ICA'S TO JOIN, AND THAT UNCERTAINTY OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 20017 03 OF 03 091211Z

ECONOMIES WERE AN IMPORTANT ELEMENT OF THE RATIONALE FOR BACK-UP FINANCING. IT WAS ALSO NOTED THAT AVAILABILITY AND TERMS OF BACK-UP FINANCING COULD AFFECT GENERAL LEVEL OF ECONOMIES. U.S. AND FRANCE WERE PARTICULARLY INTERESTED IN IMPROVING AND EXPANDING SECRETARIAT'S RESEARCH IN THIS AREA.

8. FUTURE WORK: AFTER SOME DISCUSSION OF PROBLEM OF PRODUCING NATIONAL PAPERS IN THE SHORT TIME AVAILABLE, GROUP AGREED ON UTILITY OF SECOND MEETING IN JULY, WHICH WAS SET FOR 28TH. DISCUSSION WILL CONCENTRATE ON ISSUES OF BACKUP FACILITY AND BASIC RELATIONSHIPS BETWEEN DEPOSITS AND CREDITS. SECRETARIAT WILL PRODUCE ANNOTATED LIST OF QUESTIONS RESULTING FROM JULY 7-8 MEETING. FUTURE SCHEDULE OF GROUP'S WORK WILL ALSO BE DISCUSSED. IN COLLABORATION WITH SECRETARIAT CHAIRMAN WILL ISSUE NOTE SYNTHESIZING NATIONAL SUBMISSIONS MADE OVER SUMMER AND IN SEPTEMBER GROUP WILL MAKE MAJOR ATTEMPT TO COMPLETE TECHNICAL WORK AT TWO MEETINGS SEPT. 8-9 AND 27-28. HIGH LEVEL GROUP ON COMMODITIES WILL MEET SEPT. 30 TO TAKE STOCK OF RESULTS OF SUBGROUP'S WORK.
SALZMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUND ALLOTMENT, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS20017
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770244-0918
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770774/aaaacmrb.tel
Line Count: 301
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e046f96d-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1913267
Secure: OPEN
Status: NATIVE
Subject: AD HOC GROUP ON COMMON FUND: MEETING JULY 7-8
TAGS: ETRD, EFIN, OECD
To: STATE USMTN MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e046f96d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009